

Message Text

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PAGE 01 OTTAWA 00002 080052Z
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SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 3110
INFO AMCONSUL MONTREAL
ALL OTHER CONSULATES IN CANADA (BY POUCH)
BT
UNCLAS SECTION 01 OF 02 OTTAWA 02528

E.O. 11652: N/A
TAGS: ECON, CA
SUBJECT: CONFERENCE BOARD ECONOMIC FORECAST FOR
PROVINCES

: OTTAWA 245

1. SUMMARY. CONFERENCE BOARD IN CANADA RELEASED ITS
LATEST QUARTERLY PROVINCIAL FORECAST ON APRIL 6 WITH
STATEMENT THAT ALL PROVINCES IN 1977 "EXPECTED TO
EXPERIENCE DIMINISHED ECONOMIC GROWTH." ACCORDING BOARD,
SASKATCHEWAN WILL BE ONLY PROVINCE "TO SUFFER REAL
OUTPUT DECLINE," AND ONLY BRITISH COLUMBIA WILL HAVE
ECONOMIC ACTIVITY SUFFICIENT TO ABSORB LABOR FORCE
ENTRANTS. B. C. AND ALBERTA EXPECTED OUTPERFORM REST
OF CANADA, AND GROWTH RATE IN QUEBEC "HAS IMPROVED
MARGINALLY SINCE THE JANUARY FORECAST." ALTHOUGH
RECENT FORECAST COMPLETED PRIOR TO FEDERAL BUDGET
MESSAGE OF MARCH 31, BOARD MAINTAINS THAT "ANALYSIS
OF MEASURES THEREIN SUGGESTS NO MAJOR REVISIONS TO
THE OUTLOOK FOR THE CURRENT YEAR." END SUMMARY

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PAGE 02 OTTAWA 00002 080052Z

2. NEWS RELEASE OF LATEST QUARTERLY PROVINCIAL FORECASTS
BY CONFERENCE BOARD IN CANADA STATES "NO REGION WILL
ESCAPE THE SLOWDOWN IN ECONOMIC GROWTH ANTICIPATED FOR
THE NATION AS A WHOLE." BOARD FORECASTS REAL GROWTH
IN 1977 FOR CANADA AS A WHOLE OF ONLY 3 PERCENT (UP
MARGINALLY FROM 2.9 PERCENT BOARD FORECAST LAST MONTH)
"AS COMPARED WITH 4 AND ONE-HALF PERCENT IN 1976."

"WHILE THIS FORECAST WAS COMPLETED PRIOR TO THE PRESENTATION OF THE RECENT FEDERAL BUDGET," BOARD MAINTAINS THAT "AN ANALYSIS OF THE MEASURES CONTAINED THEREIN SUGGESTS NO MAJOR REVISIONS TO THE OUTLOOK FOR THE CURRENT YEAR."

3. IN SPITE OF DIFFERING INDUSTRIAL STRUCTURES OF THE TEN PROVINCES, BOARD CLAIMS THAT "ALL ARE EXPECTED TO EXPERIENCE DIMINISHED ECONOMIC GROWTH." ONLY INDUSTRIAL SECTORS EXPECTED TO EXPAND MORE RAPIDLY IN CANADA AS A WHOLE IN 1977 THAN LAST YEAR ARE FORESTRY AND MINING. AGRICULTURAL OUTPUT FORECAST TO DECLINE "SUBSTANTIALLY," AND CONSTRUCTION ACTIVITY NOT EXPECTED TO RISE ABOVE 1976 LEVEL, WITH DECLINES IN RESIDENTIAL SECTOR. SOME GROWTH IN MANUFACTURING EXPECTED BUT LESS THAN LAST YEAR.

4. SUMMARY OF BOARD'S FORECAST FOR EACH PROVINCE:
A. NEWFOUNDLAND. REAL OUTPUT GROWTH OF LESS THAN 2.5 PERCENT, WITH MOST PESSIMISTIC OUTLOOK FOR CONSTRUCTION INDUSTRY. FORESTRY AND MANUFACTURING LIKELY SHOW MODEST IMPROVEMENT, AND FISHING OUTPUT WILL INCREASE BUT LESS THAN IN 1976. UNEMPLOYMENT RATE TO INCREASE FROM AVERAGE LEVEL OF 13.5 PERCENT IN 1976 TO ALMOST 15 PERCENT IN 1977.

B. PRINCE EDWARD ISLAND. REAL GROWTH TO BE 2.2 PERCENT WITH UNEMPLOYMENT RATE OF 10.6 PERCENT. TOURISM EXPECTED IMPROVE FROM DEPRESSED LEVELS OF PREVIOUS THREE YEARS, UNCLASSIFIED

UNCLASSIFIED

PAGE 03 OTTAWA 00002 080052Z

BUT OUTPUT IN AGRICULTURE AND FISHING EXPECTED TO DECLINE.

C. NOVA SCOTIA. ECONOMY EXPECTED OUTPERFORM NATIONAL ECONOMY WITH REAL GROWTH OF 3.2 PERCENT. FORESTRY AND MINING WILL LEAD ECONOMIC GROWTH WHILE AGRICULTURE, FISHING AND CONSTRUCTION RELATIVELY MORE WEAK. UNEMPLOYMENT RATE EXPECTED AVERAGE 10.5 PERCENT.

D. NEW BRUNSWICK. BOARD CLAIMED FORECAST FOR N.B. HAS BECOME MORE PESSIMISTIC SINCE JANUARY FORECAST, AND REAL GROWTH OF 2.6 PERCENT NOW EXPECTED TO BE BELOW NATIONAL AVERAGE. FORESTRY AND MINING TO SHOW POSITIVE GROWTH, BUT DECLINES EXPECTED IN AGRICULTURE, FISHING AND CONSTRUCTION. RATE OF GROWTH IN SERVICE SECTOR, SOURCE OF STRENGTH IN 1970'S, EXPECTED TO SLOW. UNEMPLOYMENT RATE WILL INCREASE WITH AVERAGE RATE OF 13 PERCENT IN 1977.

E. QUEBEC. OUTLOOK HAS IMPROVED marginally SINCE

BOARD'S JANUARY FORECAST WITH SLIGHT INCREASE IN CONSTRUCTION ACTIVITY NOW FORECAST IN CONTRAST TO SUBSTANTIAL DECLINE PREVIOUSLY PREDICTED. REAL OUTPUT FORECAST TO INCREASE BY 2.9 PERCENT, AND UNEMPLOYMENT RATE TO EXCEED 10 PERCENT BY END OF YEAR. SERVICE PRODUCING INDUSTRIES TO GROW MORE SLOWLY, AND RETAIL SALES WILL INCREASE AT LESS THAN NATIONAL AVERAGE.

F. ONTARIO. REAL GROWTH OF 3.0 PERCENT OR UNCHANGED FROM JANUARY FORECAST. DECLINE IN MANUFACTURING GROWTH SEEN AS LESS SEVERE AND CONSTRUCTION NOT EXPECTED TO DROP AS SHARPLY AS PREVIOUS FORECAST INDICATED, BUT

#2528

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PAGE 04 OTTAWA 00002 080052Z

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PAGE 01 OTTAWA 00002 080056Z

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UNCLAS SECTION 02 OF 02 OTTAWA 02528

DETERIORATION SEEN FOR SERVICE PRODUCING SECTOR. UNEMPLOYMENT RATE WILL PASS 7 PERCENT IN LATTER HALF OF YEAR, BUT WILL AVERAGE 6.9 PERCENT.

G. MANITOBA. REAL GROWTH OF 1.7 PERCENT WITH STRENGTH ONLY IN MINING INDUSTRY. UNEMPLOYMENT RATE FORECAST TO INCREASE TO 5.5 PERCENT, AND GROWTH IN RETAIL SALES EXPECTED DECLINE TO UNDER 5 PERCENT FROM 10 PERCENT IN 1976. SLOWDOWN LARGELY RESULT OF DECLINE IN FARM INCOMES.

H. SASKATCHEWAN. REAL GROWTH WILL DECLINE BY 1.8 PERCENT AS COMPARED TO INCREASE OF 8.5 PERCENT IN 1976. DECLINE IN AGRICULTURAL PRODUCTION AND SLOWDOWN IN CONSTRUCTION WILL BE MAIN FACTORS OF DECREASE. UNEMPLOYMENT EXPECTED TO RISE TO 4.4 PERCENT.

I. ALBERTA. REAL GROWTH TO BE 3.7 PERCENT, DOWN FROM 5.9 PERCENT IN 1976. EXPECTED WEAKENING IN AGRICULTURE AND CONSTRUCTION WILL ACCOUNT FOR SLOWER GROWTH. UNEMPLOYMENT RATE TO INCREASE TO 4.3 PERCENT, ALTHOUGH EMPLOYMENT GROWTH WILL BE 4 PERCENT OR HIGHEST IN UNCLASSIFIED

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PAGE 02 OTTAWA 00002 080056Z

CANADA.

J. BRITISH COLUMBIA. PROVINCE EXPECTED TURN IN STRONGEST GROWTH PERFORMANCE IN 1977 WITH REAL GROWTH OF 4.5 PERCENT. FORESTRY, MINING, MANUFACTURING AND CONSTRUCTION SECTORS TO HAVE CONTINUED GROWTH PATTERN. B. C. WILL BE ONLY PROVINCE WHERE EMPLOYMENT GROWTH WILL KEEP PACE WITH LABOR FORCE INCREASE AND THEREFORE UNEMPLOYMENT RATE EXPECTED DECLINE marginally TO 8.5 PERCENT. WAGES, SALARIES AND PERSONAL INCOME EXPECTED GROW FASTER THAN NATIONAL AVERAGE.

5. COMMENT. OF PARTICULAR INTEREST IS FACT THAT CONFERENCE BOARD HAS NOT SUBSTANTIALLY ALTERED ITS RELATIVELY PESSIMISTIC FORECAST FOR CANADAIN ECONOMY FOLLOWING MARCH 31 BUDGET PRESENTATION. BOARD STILL PREDICTS MUCH SLOWER GROWTH IN ALL PROVINCES IN 1977 THAN IN 1976. SURPRISE IN FORECAST WAS SLIGHT UPWARD REVISION FOR QUEBEC. ENDERS

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